CELEBRATING 40 YEARS

FRESHWATER FISH

2010 Annual Report


CELEBRATIN

Table of Contents

40 YEARS


CELEBRATI

Letter of Transfer from Chairperson of the Board of Directors to Minister of Fisheries and Oceans

Honourable Gail Shea
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario K1A 0E6

Dear Minister:

We are pleased to submit Freshwater Fish Marketing Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ended April 30, 2010.

In keeping with the *Financial Administration Act (FAA)* and our own standards of transparency and governance, the Corporation established an Audit Committee that met for the first time in September 2009, comprised of Chairperson Harold B. Dueck, a Chartered Accountant experienced in public and corporate finance, and Board members Irvin Constant and Ken Campbell. This Committee oversees the Corporation's financial reporting process on behalf of the Board and reports to each Board meeting.

At regular intervals, federal Crown corporations are required by the *FAA* to undergo a "Special Examination" conducted by the Office of the Auditor General of Canada. The audit team began the process of gathering information in the fall of 2009 and it is ongoing.

FFMC undertook a comprehensive strategic review in 2007 and created a new plan to guide the organization until 2017. The plan identifies priorities to increase market value and leadership, improve efficiency and management of the value chain, increase stakeholder confidence and ensure the long-term operational and financial health of the Corporation. A significant modernization of our aging plant and equipment is a priority. The overriding objective is always to improve returns to fishers.

In 2009, two strategic planning workshops were conducted to update the plan and reinforce the importance of plant renovations to remain competitive at a par dollar.

During the year, Board members participated in corporate governance training, enhancing their knowledge and skills.

The Board of Directors remains strong and committed to open communication with all stakeholders.

Yours sincerely,

John Wood
Acting Chairperson of the Board

President's Report

The 2009/10 fiscal year marked the 40th anniversary of Freshwater Fish Marketing Corporation. Four decades of buying, processing and marketing this abundant Canadian natural resource have established a proven track record for product quality and reliability. As a result, Freshwater Fish has a strong base of loyal customers and satisfied consumers.

Global economic challenges continue and changes to the Canadian economy have caused some concern with the rise in value of the Canadian dollar. We have met these concerns head on by raising market prices and launching profit-boosting initiatives in the form of new value-added products. Many improvements have been implemented to processing areas in the plant, successfully increasing efficiencies.

During the past fiscal year, several high-level meetings – focusing on sustainability, continuing growth and diversification, strategic planning and corporate accountability – have been conducted in our Boardroom, with the Deputy Minister of Fisheries and Oceans, five senators from the Standing Senate Committee on Fisheries and Oceans, and officials of Treasury Board Secretariat and the Department of Finance from Ottawa.

Finally, we bid farewell to our Chairperson Jim Bear in March of this year, after nine years of dedicated leadership and best practices governance. Jim conducted every meeting in a professional, organized manner, encouraged full participation of members and respected the views of all. We wish him the best in his future ventures. He will be truly missed.

We pledge to continue building marketing strength and begin our fifth decade with renewed fervour, utilizing best practices in every aspect of our business – to support the hard work of the fishers we serve.

Yours sincerely,

John Wood
President and Chief Executive Officer
Winnipeg, Manitoba

Corporate Profile

Freshwater Fish Marketing Corporation is a 40-year-old, self-sustaining federal Crown corporation that is the buyer, processor and marketer of commercially-caught freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories and part of northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale to create an orderly market, promote international markets, increase fish trade and increase returns to fishers. Final payments to fishers are distributed annually, when possible, depending on sales revenues and associated costs.

The Board of Directors, including the President and Chief Executive Officer, governs the Corporation. All 11 Board positions are federal Order-in-Council appointments, with five appointed on the recommendation of the participating provincial governments. During the 2009/10 fiscal year, six Board members were fishers and five were aboriginal. The President is assisted by a three-member executive committee and 53 full-time administrative support staff.

Freshwater Fish employs more than 150 full-time production staff and adds to its workforce during peak periods. Fish are caught by more than 2,000 fishers across the region and then are purchased and graded by contracted agents and corporate agencies at more than 50 delivery points. In just over four decades of business in Canada and abroad, Freshwater Fish has established and sustained a solid reputation based on product reliability, quality and safety and is a recognized price leader, exercising its mandate to market fish inter-provincially and internationally.

Freshwater Fish remains at the top of the US walleye (pickerel) market and is the largest supplier of lake whitefish to Finland, lake whitefish caviar to Sweden and Finland and northern pike to France. It is the largest individual supplier of freshwater fish to the gefilte fish market and maintains a kosher-certified plant.

VISION

Freshwater Fish maximizes returns to the fishers of western Canada through building marketing strength, efficient supply chain management and the value-added processing of quality freshwater fish products.

Year in Review

The 2009/10 fiscal year was one of building and stabilization for Freshwater Fish. The Corporation continued efforts started in 2009 to increase internal capacity and build market strength in response to the changing industry and economic climate.

The final results for the year were once again mixed. Total returns to fishers were $30.9 million, a 6.4% decrease from the previous year. The earnings of Freshwater were $1.5 million, an improvement on the $0.7 million loss of the previous year.

The reduced returns to fishers can be attributed to lower initial prices set by the Corporation, which were necessary as the industry adjusts to a weakening Euro and USD, and recovers from recessionary market demand.

Late in the year, lake whitefish demand and prices took a heavy hit as supply from the Great Lakes flooded Freshwater's traditional markets in New York. New sales to Russia and Iran helped offset this situation but not at the same price level found in New York.

Corporate

Freshwater Fish spent 2009/10 continuing to implement the initiatives of its strategic plan as it works towards its vision of a sustainable fishery that consistently provides maximum returns to fishers. The management team oversaw major changes in the plant as well as significant initiatives in the areas of field operations and marketing, both of which helped the Corporation build sustainable market strength.

The Board of Directors had a productive year initiating an Audit Committee, revising the Export Dealer Licence policy and undertaking governance training. The year also saw Jim Bear's final term as Chairperson come to a close after nine years of providing a steady and visionary hand at the helm of the Board.

Marketing

Marketing efforts this year focused on responding to stabilized international markets and the increasing value of the Canadian dollar. The marketing team was busy both in Canada and around

the world building market strength and maintaining Freshwater Fish's reputation as a provider of high-quality fish.

Significant developments in the marketing department included changes to premium and regular frozen walleye retail packaging, introducing more variety in lake whitefish caviar package size, creating two new products - smoked lake trout and lake trout lox, developing a new lake whitefish portion market and increasing northern pike sales.

Overall, the efforts of the marketing department allowed Freshwater Fish to maintain its sales volumes through recovering economic times while protecting margins and building market strength.

Freshwater Fish also launched a brand new website that serves a dual purpose: providing product, processing and quality information to potential and current consumers and customers; and delivering communications and news to fishers and agents. The website was in development for nearly a year and went live in March 2010.

Field Operations

Field Operations experienced a year of change and challenge due in part to a shift in management.

With the departure of Stephen Kendall, former plant manager David Northcott was promoted to Vice-President Operations. David led his team through a series of successful regional meetings designed to improve communication between Freshwater Fish and fishers.

In the winter, supply typically falls and market prices for fresh fish rise in response. To take advantage of these stronger prices Freshwater Fish offers a premium on lake whitefish, walleye, and sauger caught during the winter. This puts more cash directly into fishers' pockets and helps to offset the higher cost of fishing during the winter season. This year a premium was offered again and volumes remained at the higher level experienced in the winter of 2009. Conversely, the New York lake whitefish market suffered from over-supply out of the Great Lakes this year which reduced margins below expectations and hurt profitability in the fourth quarter.

Processing

Over the past three years, Freshwater Fish has invested $7.5 million in the Winnipeg processing plant to increase capacity for peak delivery times, improve reliability and meet food inspection and international customer requirements.

Over the past three years, the Corporation has also invested in efficiency, yield and quality improvements by installing three key pieces of processing equipment: portioning line, defrosting line and ice slurry system.

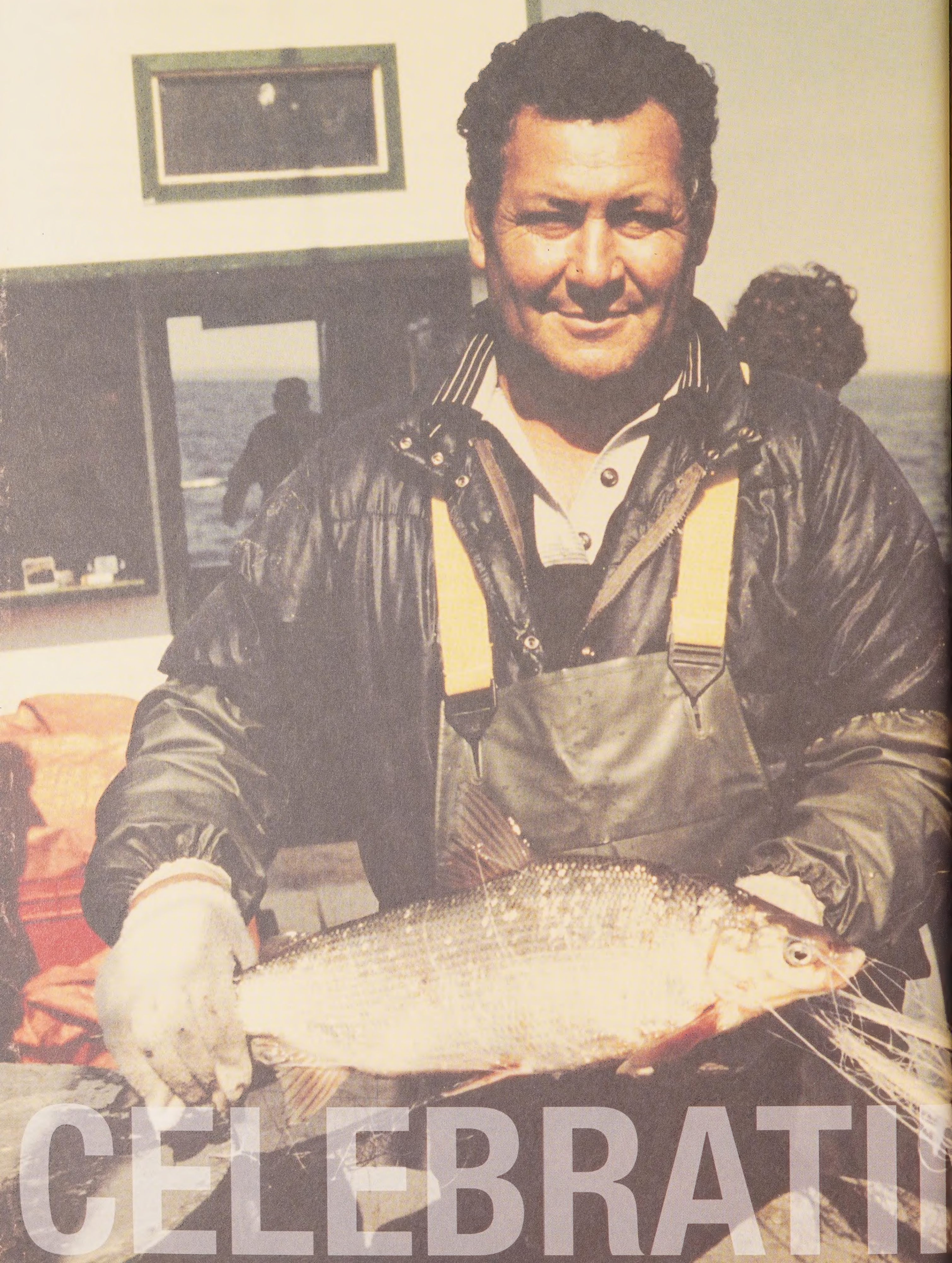
Communications

Freshwater Fish remains committed to expanding two-way communications with all stakeholders – from fishers to government officials. Following a successful 2009 Supply Chain Workshop in Winnipeg, the Corporation conducted individually-tailored supply chain and fisher relations meetings in each region. These meetings were held during the latter half of the fiscal year.

Freshwater Fish launched a new version of the Lake to Plate newsletter, distributed quarterly to fishers. Each issue features articles on best practices, plant improvements, economics, marketing activities and product profiles.

The response to these communication efforts has been positive and Freshwater Fish looks forward to continued improvement and increased information flow.

40 YEARS



CELEBRATI

40 - Year Review

When Freshwater Fish Marketing Corporation was created to bring order to the processing and marketing aspects of Canada's freshwater fishery 40 years ago, the people involved could not have imagined where the industry would be today.

In the summer of 1969, the men and women who made their living on the lakes in Manitoba, Saskatchewan, Alberta, northwestern Ontario and the Northwest Territories drew up their nets and sent their catch to be processed and sold by a brand new business. Generations later, their children and grandchildren are still sending their fish to be processed by the very same organization.

Four decades have passed and Freshwater Fish continues to collect all commercially caught freshwater fish from these regions and has sustained its original purpose to maximize returns to fishers.

Since 1969, Freshwater Fish has paid fishers more than $1 billion in returns during 40 full fishing seasons. Today, fishers – many who are direct descendents of those original Freshwater fishers – send their catch to the Corporation knowing it is going to a business with their best interests in mind.

Forty years ago pricing was low and returns to both fishers and the Corporation reflected that. Freshwater marketing specialists respond to changing economic trends and consistently find new ways to make wild-caught species appealing to new markets. Business has grown exponentially since the early days of hand-processing fish.

The Corporation has watched resources, environments and ecological practices change and has maintained a viable, sustainable business through turbulent and prosperous times. As food safety regulations have tightened, Freshwater Fish has responded with plant upgrades, quality assurance programs and other leading-edge strategies that will guide the Corporation for generations to come.

Processes, technology and efficiencies will keep evolving as they have over the last four decades. Freshwater Fish will continue to break into new markets with new products and business will expand to match industry growth. Fishers will continue to form the backbone of one of our country's most dynamic, innovative industries.

40 YEARS

Strategic Directions

Strategic directions provide the foundation for Freshwater Fish to continue as an industry leader and overcome business challenges.

Early in 2009, a team of Freshwater Fish management personnel worked with an outside facilitator to review the strategic plan developed in 2007 and update the key strategies.

The Corporation has made considerable headway in the implementation of the seven strategies, with progress on each outlined below.

Strategy 1 | Expand the Business to Create Value and Diversify to Promote Stability

Freshwater Fish sells product to 14 countries and 20 US States. In 2009/10, it developed new markets for lake whitefish (in the areas of retail caviar and fillets), lake trout (smoked portions) and walleye (new markets in Canada and Germany). The Corporation's marketing team is currently investigating and laying the groundwork for new business in other countries.

Strategy 2 | Develop Freshwater Fish as a Market-Oriented Business Model

Freshwater Fish has made a number of moves to strengthen its position and cater better to customers in order to achieve a higher profit margin.

It implemented seasonal pricing and winter premiums to increase fresh deliveries in the winter and made a significant investment in its portioning line to accommodate customers who demand consistently-sized products. Additionally, Freshwater Fish redesigned its pike portions to generate renewed sales in France.

Strategy 3 | Promote Sustainable Development and Commercial Viability of the Fishery

In order to promote sustainable development and commercial viability, Freshwater Fish held regional meetings with fisher groups to bolster fishers' understanding of how they fit into quality assurance, processing and marketing.

The Corporation is now creating lake-by-lake and product development plans to expand deliveries and stabilize prices to fishers.

Strategy 4 | Develop Processing Infrastructure to Meet Fishery and Market Needs

Freshwater Fish made a significant investment in its processing infrastructure, totaling more than $7.5 million over three years. This money went into the following: purchase of a spiral freezer, portioning machine, and defrosting machine; refurbishing the floors, ceiling and roof; and installation of an ice slurry system.

The Corporation is now planning for other necessary plant renovations.

Strategy 5 | Ensure the Long-Term Financial Viability of Freshwater Fish

To meet its mandate of financial self-sustainability, the Corporation intends to adopt a short and long-term debt structure to better manage its financial obligations. Long-term capital borrowings will be repaid from cash flow. An enhanced focus on managing working capital will also be undertaken to ensure borrowings for the Corporation's day-to-day operations are minimized. Finally, a net income distribution policy that strengthens the Corporation's retained earnings will be submitted to the Board of Directors in fiscal year 2010/11 to ensure long-term financial health.

Strategy 6 | Total Quality Management

Freshwater Fish has completed its commitment to fill organizational gaps and address missing skill sets. It is now working to ensure a stable and committed processing workforce, and a stronger supply chain management system that includes the timely flow of information.

Strategy 7 | Stakeholder Communications

Throughout 2009/10 Freshwater Fish made a concerted effort to improve stakeholder knowledge and the flow of information. The Corporation communicated more information more frequently to stakeholders, including Board members.

Several regional fisher meetings were held, where fishers and other stakeholders were invited to talk about issues or concerns. The Lake to Plate newsletter was redesigned to improve communication with fishers. Most notably, Freshwater Fish redesigned and re-launched its website to be more user-friendly and provide better, more timely information to all stakeholders, consumers and potential customers.

The business environment in which Freshwater Fish operates has become even more competitive in the last year as global economic conditions have continued to change business dynamics, while the cost of harvesting and processing fish continues to rise.

In response, the marketing team at Freshwater Fish continues to develop, create and explore new markets. The Corporation meets the challenge to manage in the global market while facing varying volumes of deliveries.

Each sector of the supply chain is working hard to ensure continued success.

Looking Ahead

Freshwater Fish will continue to respond to changing market requirements, while taking steps to strengthen its supply chain and to enhance two-way communications with its stakeholders.

Increasing Food Safety Regulation Worldwide

Freshwater Fish consistently meets the stringent standards for registration by the Canadian Food Inspection Agency (CFIA) and has in place a Quality Management Program (QMP), Hazard Analysis Critical Control Points (HACCP) and other required programs. Freshwater Fish must keep pace with new regulations as markets such as the European Union continue to tighten their requirements, or lose its ability to export product.

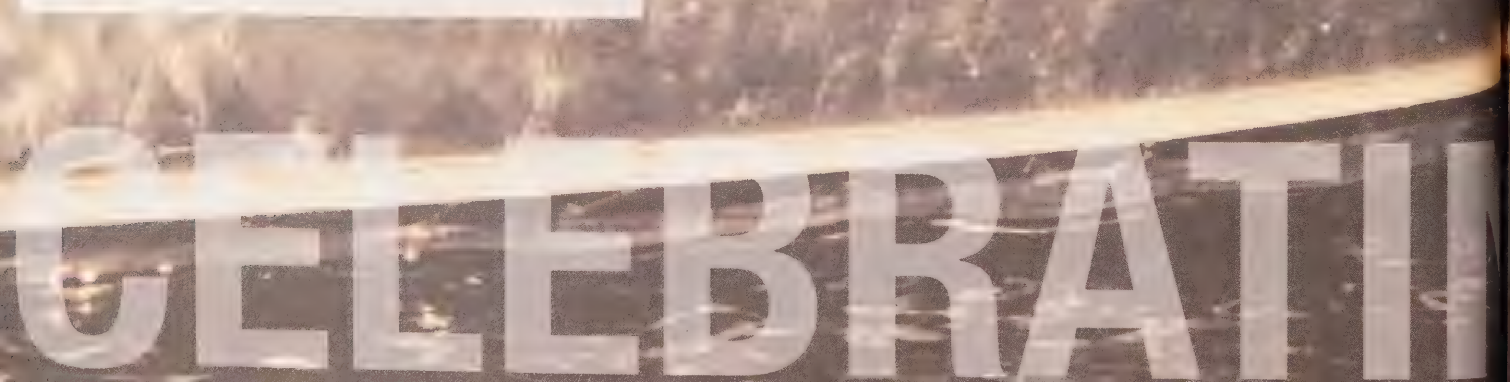
Consumer and Customer Requirements

Consumers and customers (restaurants and supermarket chains) continue to place a priority on convenience, consistent quality and food safety, while consolidation in foodservice and retail channels increases pressure on price and service levels. These trends create a challenging environment in which to maintain or improve margins.

Fishery Sustainability

Large chains are setting deadlines by which they will only accept fish from fisheries where management, harvesting practices and stocks are certified as sustainable. Wal-Mart and Loblaw's are set to stop accepting non-certified fish in 2013.

For Freshwater Fish, this means we must provide proof that wild-caught fish come from sustainable fisheries. Certification of sustainability is a long and expensive process requiring government involvement and sponsorship.



Supply Chain

Freshwater Fish has invested significant financial and human resources into an upgrade of its Enterprise Resource Planning (ERP) systems and business processes. This work will continue into the new fiscal year with the goal of providing more accurate, more timely information to managers and customers at an overall lower cost.

Two-Way Communication

To ensure an open communication channel between the Corporation, fishers and other fishery stakeholders, Freshwater Fish will continue to present the details of its operations and information on how the supply chain works through fisher meetings in its mandated region.

Total Quality Management

Food safety and security are priorities in today's global food chain, which means we constantly have to work harder to meet changing regulations. Freshwater Fish will continue to invest in the processing plant, and will also complete a project later this year to upgrade the ERP tools and business processes. Freshwater Fish continues to train its staff in industry best practices.

Product and Market Development

Freshwater Fish is continuously developing new markets and expanding its current markets, especially in the areas of walleye, lake whitefish, northern pike and lake trout. The Corporation will continue to make extensive use of its partners to reduce cost, reduce risk and increase the opportunity for success in new markets.

How Fishers are Paid

Under the *Freshwater Fish Marketing Act*, Freshwater Fish is authorized to purchase and set prices for all fish caught under commercial licence in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of northwestern Ontario. Freshwater Fish uses a payment structure that determines initial and final payments under a pool system. The final payments are determined by allocating receipts and costs by fish species.

The Corporation sets an initial price for a species by estimating its market value. Projected processing and operating costs are then subtracted, as well as a contingency amount. Freshwater Fish may increase the purchase price when needed to ensure that there is enough supply to develop a new market or product. It is policy to set each species' initial price at a level designed to promote a full fishery in all regions. A higher output, even of lower-value species, helps to develop markets, maximize efficiencies and contribute to paying fixed costs.

Freshwater Fish may adjust initial prices during the fiscal year to match changing market conditions. It also may offer a temporary delivery premium for a given species as an incentive for fishers or when a customer has an urgent requirement.

The profit distribution policy ensures that at the end of the fiscal year an appropriate portion of revenues from each species pool is allocated to long-term reinvestment in Freshwater Fish. After the annual audit by the Office of the Auditor General, the Corporation determines final payments from the pooled receipts. Final payments are made from any corporate surpluses when sales revenues exceed all direct and allocated costs for a given species. The table on pages 18 and 19 provides a 10-year history of pool results.

Management Discussion and Analysis

Freshwater Fish Marketing Corporation finished the 2010 fiscal year with a net income before final payments of $1.5 million. Total returns to fishers were $30.9 million, including final payments totaling $1.3 million.

Despite struggling economies and a strong Canadian dollar, Freshwater Fish increased sales volumes and revenues compared to 2009. However, revenues fell short of budget targets. Gains in European markets were offset by US revenues, down 5% compared to the previous year. Freshwater Fish's US foreign exchange hedging policy protected the Corporation against most of the fluctuations in the value of US receivables.

High inventory levels and challenging markets resulted in total inventory writedowns of $1.8 million, including $0.7 million in mullet, $0.5 million in lake whitefish and $0.3 million in carp. Year-end processed fish inventories totaled $15.0 million compared to $16.0 million in 2009.

Freshwater Fish continues to partner with third parties to gain cost-effective entry into new, value-added products and markets. Market prices were weak due to recessionary pressures and prices in Canadian dollars were particularly affected by the strength of the Canadian dollar compared to the US dollar and Euro.

Administrative expenses increased this year with investments in the Enterprise Resource Planning (ERP) system, fisher communications and professional services to convert to International Financial Reporting Standards (IFRS) and assess financial management and payment practices.

International Financial Reporting Standards

All publicly-accountable Canadian reporting entities must adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Freshwater Fish will adopt IFRS for the 2012 fiscal year (May 1, 2011 to April 30, 2012) with restatement of comparative information under IFRS for the year ending April 30, 2011.

CELEBRATI

The transition to IFRS is proceeding on schedule, guided by the Audit Committee of the Board of Directors. Key accounting differences from Canadian GAAP, the current standards, have been identified and further work continues to address those differences. As the Corporation moves toward its transition date, it has incorporated IFRS disclosure requirements where appropriate. At this time, Freshwater Fish has not determined the impact of adopting IFRS on future financial results.

Processing

Fish processing volumes are down slightly from last year and below budget. This was primarily due to lower lake whitefish deliveries. Actual plant expenses were on budget but as a result of the lower volumes, processing costs per kilogram were more than the 2010 plan. Freshwater Fish undertook capital projects totaling $2.9 million in 2010. Plant capital investment was $2.4 million and $0.5 million was spent in field operations.

Walleye

Freshwater Fish achieved record sales revenue and volumes for walleye in the US, its largest market for the species. Reduced quotas for competitors in eastern Canada allowed Freshwater Fish to increase prices in US markets. Freshwater Fish also launched several new value-added walleye products (battered strips and fillets) and entered a new market, selling fresh walleye fillets in Germany for the first time. Deliveries were down more than 300,000 kgs compared to last year and inventories fell by 50%, resulting in critical shortages in the last quarter. Initial prices to fishers were down 13%.

Lake Whitefish

Global supplies of lake whitefish outpaced demand in 2010, resulting in reduced sales volumes and pricing. Freshwater Fish launched a new 250 g retail package for lake whitefish caviar in Finland, a key market, with great success. The initiative increased margins and grew revenue by 29%. Other initiatives included re-introducing some products to Russia and Finland, expanding marketing in Poland and re-designing the lake whitefish polybag for the Canadian retail market. Due to winter premiums again being offered to fishers, lake whitefish deliveries remained the same as in 2009, although initial prices to fishers were down 13%.

Northern Pike

Northern Pike sales revenue and volumes grew over 7% this year, primarily due to growth in sales of boneless portions in France. A depressed economy and currency in France were offset by revising the boneless program to enhance yields and margins. Northern pike caviar, now in its third year, underwent processing changes to increase consistency in the product. As a result, sales volumes tripled and revenues nearly doubled. Northern pike deliveries were down over 9%; however, inventories grew as Freshwater Fish held more whole raw material to support the growing portion business. Initial prices to fishers fell 8%.

Mullet

Mullet sales revenue fell 15% and sales volume 6% in 2010. Revenues were affected by the strong Canadian dollar and the timing of Jewish holidays, which fell on regular kosher consumption days and resulted in reduced total demand for kosher products, the primary use for mullet. Mullet deliveries increased nearly 13% in 2010; coupled with reduced sales, inventories grew beyond the demand of major markets forcing Freshwater Fish to write down its inventory value. Freshwater Fish recently completed a new agreement with a key customer that is expected to reduce current inventories substantially. Initial prices were down 9%.

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2001 – 2010), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Walleye (Pickerel)										
Delivered Weight[1]	5.7	5.1	5.1	5.6	5.6	6.0	6.4	6.2	6.2	5.8
Price/ Round Kg.[2]	$4.19	$4.45	$4.65	$3.45	$3.41	$3.15	$3.35	$3.50	$3.33	$3.01
Initial Payment[3]	$19.6	$16.8	$18.2	$19.3	$17.9	$18.2	$20.8	$20.2	$20.8	$17.5
Final Payment	$4.3	$5.9	$5.5	$0.0	$1.2	$0.7	$0.7	$1.5	$0.0	$1.2
Total Payment	$23.9	$22.7	$23.7	$19.3	$19.1	$18.9	$21.5	$21.7	$20.8	$18.7
3 Yr. Moving Avg.[4]	$20.9	$22.1	$23.4	$21.9	$20.7	$19.1	$19.8	$20.7	$21.3	$20.4
Lake Whitefish										
Delivered Weight[1]	6.5	6.8	7.0	6.7	5.9	5.4	5.5	3.8	5.1	5.1
Price/ Round Kg.[2]	$1.43	$1.16	$1.19	$1.10	$1.00	$1.02	$1.09	$1.07	$1.48	$1.38
Initial Payment[3]	$7.8	$7.9	$8.3	$7.4	$5.9	$5.5	$6.0	$3.9	$7.6	$7.1
Final Payment	$1.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2	$0.0	$0.0
Total Payment	$9.3	$7.9	$8.3	$7.4	$5.9	$5.5	$6.0	$4.1	$7.6	$7.1
3 Yr. Moving Avg.[4]	$7.4	$8.1	$8.5	$7.9	$7.2	$6.3	$5.8	$5.2	$5.9	$6.3
Northern Pike										
Delivered Weight[1]	2.6	2.5	2.4	2.3	1.9	1.3	1.7	1.9	2.1	1.9
Price/ Round Kg.[2]	$0.85	$0.80	$0.71	$0.65	$0.58	$0.62	$0.59	$0.78	$0.90	$0.82
Initial Payment[3]	$1.9	$1.8	$1.7	$1.5	$1.1	$0.8	$1.0	$1.2	$1.9	$1.6
Final Payment	$0.3	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.3	$0.0	$0.1
Total Payment	$2.2	$2.0	$1.7	$1.5	$1.1	$0.8	$1.0	$1.5	$1.9	$1.7
3 Yr. Moving Avg.[4]	$2.2	$2.2	$2.0	$1.7	$1.5	$1.1	$1.0	$1.1	$1.5	$1.7
Sauger										
Delivered Weight[1]	0.6	0.7	0.8	0.8	0.6	0.3	0.2	0.1	0.3	0.6
Price/ Round Kg.[2]	$3.33	$4.14	$3.88	$3.13	$2.83	$3.17	$2.50	$3.27	$3.65	$3.13
Initial Payment[3]	$1.6	$2.2	$2.5	$2.5	$1.6	$0.9	$0.5	$0.4	$1.0	$1.9
Final Payment	$0.4	$0.7	$0.6	$0.0	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0
Total Payment	$2.0	$2.9	$3.1	$2.5	$1.7	$1.0	$0.5	$0.4	$1.0	$1.9
3 Yr. Moving Avg.[4]	$3.0	$2.7	$2.7	$2.8	$2.4	$1.7	$1.1	$0.6	$0.6	$1.1

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2001 – 2010), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mullet										
Delivered Weight[1]	5.4	5.0	5.4	3.9	2.6	2.6	1.9	1.8	2.0	2.2
Price/ Round Kg.[2]	$0.28	$0.28	$0.26	$0.26	$0.27	$0.31	$0.37	$0.38	$0.39	$0.35
Initial Payment[3]	$1.5	$1.4	$1.4	$1.0	$0.7	$0.8	$0.7	$0.6	$0.7	$0.8
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0	$0.0
Total Payment	$1.5	$1.4	$1.4	$1.0	$0.7	$0.8	$0.7	$0.7	$0.7	$0.8
3 Yr. Moving Avg.[4]	$1.4	$1.5	$1.4	$1.3	$1.0	$0.8	$0.7	$0.7	$0.7	$0.7
Perch										
Delivered Weight[1]	0.2	0.6	0.5	0.3	0.2	0.2	0.2	0.3	0.1	0.2
Price/ Round Kg.[2]	$4.50	$4.50	$3.60	$3.00	$3.50	$2.70	$3.15	$2.99	$2.37	$2.40
Initial Payment[3]	$0.6	$2.2	$1.8	$0.9	$0.6	$0.5	$0.6	$0.8	$0.3	$0.4
Final Payment	$0.3	$0.5	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$0.9	$2.7	$1.8	$0.9	$0.7	$1.0	$0.6	$0.8	$0.3	$0.4
3 Yr. Moving Avg.[4]	$1.0	$1.6	$1.8	$1.8	$1.1	$0.7	$0.6	$0.7	$0.6	$0.5
Other										
Delivered Weight[1]	1.3	1.3	1.6	1.1	0.9	0.0	1.0	0.6	0.8	0.5
Price/ Round Kg.[2]	$0.62	$0.77	$0.69	$0.73	$0.67	$0.67	$0.60	$0.50	$0.65	$0.67
Initial Payment[3]	$0.8	$0.9	$1.0	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7	$0.3
Final Payment	$0.0	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$0.8	$1.0	$1.1	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7	$0.3
3 Yr. Moving Avg.[4]	$0.8	$0.9	$1.0	$0.9	$0.8	$0.7	$0.6	$0.6	$0.6	$0.5
All Pools										
Delivered Weight[1]	22.3	22.0	22.8	20.7	17.7	16.7	16.9	14.7	16.6	16.3
Price/ Round Kg.[2]	$1.82	$1.85	$1.80	$1.61	$1.68	$1.68	$1.80	$2.02	$1.98	$1.81
Initial Payment[3]	$33.8	$33.2	$34.9	$33.4	$28.4	$27.3	$30.2	$27.6	$33.0	$29.6
Final Payment	$6.8	$7.4	$6.2	$0.0	$1.4	$0.8	$0.7	$2.1	$0.0	$1.3
Total Payment	$40.6	$40.6	$41.1	$33.4	$29.8	$28.1	$30.9	$29.7	$33.0	$30.9
3 Yr. Moving Avg.[4]	$35.8	$39.0	$40.8	$38.3	$34.7	$30.4	$29.6	$29.6	$31.2	$31.2

1 Delivered Weight – Round Equivalent Weight (millions of kilograms). 2 Price/Round Kg. – Based on Initial Payment plus Final Payment.

3 Initial Payment – Net of Freight. 4 Three Year Moving Average of Total Payments.

TEN YEAR FINANCIAL SUMMARY

Fiscal Year ended April 30
All amounts in millions of dollars.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales	$61.9	$68.2	$66.8	$60.3	$59.3	$55.3	$61.6	$58.2	$62.5	$63.6
Net Income (Loss) Before Final Payments	$6.8	$7.4	$6.2	($0.8)	$1.4	$0.8	$0.7	$2.3	($0.7)	$1.5
Fish Purchases	$36.7	$35.9	$37.7	$35.7	$30.4	$29.2	$32.1	$29.2	$35.3	$31.6
Net Income Plus Fish Purchases	$43.5	$43.3	$43.9	$34.9	$31.8	$30.0	$32.8	$31.5	$34.6	$33.1
Accounts Receivable - Trade	$6.3	$7.4	$7.1	$7.9	$7.0	$5.1	$6.0	$5.5	$6.2	$7.8
Inventory - Processed Fish Products	$12.2	$10.9	$13.7	$14.4	$12.4	$12.6	$12.0	$10.6	$16.0	$15.0
Inventory - Packaging Material and Parts	$0.9	$0.8	$0.9	$0.9	$1.0	$0.9	$0.9	$0.7	$0.8	$0.9
Capital Assets - Net Book Value	$6.2	$6.7	$6.9	$6.7	$6.3	$6.1	$8.6	$10.6	$13.9	$14.3
Loans Payable	$12.1	$11.5	$14.0	$23.1	$18.4	$17.8	$20.7	$18.8	$30.8	$29.4
Retained Earnings	$4.2	$4.2	$4.2	$3.3	$3.3	$3.3	$3.3	$3.6	$2.8	$2.9

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts, such as the allowance for doubtful accounts, the provision to reduce slow moving or unsellable processed fish inventories to their estimated net realizable value, the derivative financial instruments measured at fair value, the estimated useful lives of plant and equipment and the obligation for pension benefits, that are necessarily based on management's best estimates and judgment. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee whose members are not officers of the Corporation. The Committee meets with management and the independent external auditor to discuss auditing, internal controls and other relevant financial matters. The Audit Committee meets to review the financial statements with the external auditors and submits its reports to the Board of Directors. The Board of Directors reviews and approves the financial statements.

The Corporation's independent external auditor, the Auditor General of Canada, audited the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards, and expressed her opinion on the financial statements.

John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Stanley A. Lazar, CMA
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
June 25, 2010

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2010 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 25, 2010

BALANCE SHEET

as at April 30 (in thousands)

	2010	2009
ASSETS		
Current		
Cash	$ -	$ 247
Accounts receivable (Note 6)	8,091	6,587
Inventories (Note 7)	15,901	16,810
Prepaid expenses	98	109
Derivative-related assets (Note 6)	7	1,062
	24,097	24,815
Property, plant and equipment (Note 8)	14,298	13,902
	$ 38,395	$ 38,717
LIABILITIES		
Current		
Bank indebtedness	$ 199	$ -
Accounts payable and accrued liabilities (Notes 6 and 11)	4,076	3,997
Provision for final payments to fishers	1,333	-
Loans payable (Notes 6 and 9)	29,363	30,772
Derivative-related liabilities (Note 6)	516	1,188
	35,487	35,957
EQUITY		
Retained earnings	2,908	2,760
	$ 38,395	$ 38,717

Basis of presentation – going concern (Note 2)

Contingencies (Note 14)

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

John K. Wood
Acting Chairperson

Ken Campbell
Director

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

for the year ended April 30 (in thousands)

	2010	2009
OPERATIONS		
Sales		
Export	$ 51,602	$ 50,868
Domestic	11,993	11,627
	63,595	62,495
Cost of sales		
Opening inventory of finished fish products	15,982	10,498
Add fish purchases and processing expenses:		
Fish purchases	31,592	35,273
Salaries, wages and benefits (Note 11)	11,398	10,142
Packing allowances and agency operating costs	4,386	4,550
Packaging and storage	3,895	4,136
Utilities and property taxes	1,395	1,640
Amortization of production assets	2,087	1,795
Repairs and maintenance	1,260	1,281
Other	683	891
	72,678	70,206
Less ending inventory of processed fish products (Note 7)	(15,015)	(15,982)
	57,663	54,224
Gross profit on operations	**5,932**	**8,271**
Marketing and administrative expenses		
Salaries and benefits (Note 11)	2,502	2,689
Interest expense	439	758
Commissions (Note 12)	1,191	1,138
Data processing, office and professional services	1,228	783
Advertising and promotion	357	283
Meeting fees and expenses	163	163
Amortization of administration assets	156	154
Other	133	113
	6,169	6,081
Other income and expenses		
Net foreign exchange (gain) loss (Note 6)	(1,718)	2,911
Income (loss) before provision for final payments to fishers	**1,481**	**(721)**
Provision for final payments to fishers	1,333	-
Net income (loss) and comprehensive income (loss) for the year (Note 13)	**148**	**(721)**
Retained earnings at beginning of the year	2,760	3,481
Retained earnings at end of the year	**$ 2,908**	**$ 2,760**

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended April 30 (in thousands)

CASH PROVIDED BY (USED IN)	2010	2009
Operating activities		
Net income (loss) and comprehensive income (loss) for the year	$ 148	$ (721)
Add (deduct) items not affecting cash:		
Amortization	2,243	1,949
Loss on disposal of property, plant and equipment	2	13
Net changes in non-cash working capital:		
Increase in accounts receivable	(1,504)	(357)
Decrease (increase) in inventory	909	(5,544)
Decrease in prepaid expenses	11	80
Decrease (increase) in derivative-related assets	1,055	(771)
Increase (decrease) in accounts payable and accrued liabilities	79	(230)
(Decrease) increase in derivative-related liabilities	(672)	1,188
Increase (decrease) in provision for final payments to fishers	1,333	(2,100)
Cash provided by (used in) operating activities	**3,604**	**(6,493)**
Investing activities		
Additions to property, plant and equipment	(2,921)	(5,483)
Investment tax credits received for property, plant and equipment	279	216
Proceeds on disposal of property, plant and equipment	1	15
Cash used in investing activities	**(2,641)**	**(5,252)**
Financing activities		
(Decrease) increase in loans payable	(1,409)	11,943
Cash (used in) provided by financing activities	**(1,409)**	**11,943**
(Decrease) increase in cash during the year	(446)	198
Cash at beginning of the year	247	49
(Bank indebtedness) cash at end of the year	$ (199)	$ 247
Supplementary information:		
Interest paid	158	665

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2010

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which currently encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada. During the past year, the Department of Fisheries and Oceans has been notified by the governments of the Province of Saskatchewan and the Northwest Territories of their intent to withdraw from the *Freshwater Fish Marketing Act* in 2011.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament. An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to $50 million. As at April 30, 2010, the total borrowings of the Corporation may not exceed $43.0 million as authorized by the Minister of Finance.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the *Income Tax Act*.

2. BASIS OF PRESENTATION – GOING CONCERN

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles (GAAP). The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

As at April 30, 2010, the Corporation had a working capital deficiency of $11.4 million (2009 - $11.1 million). The Corporation's plan of operations may not result in cash flow sufficient to finance and expand its business on a self-sustaining basis. In addition, in successive years, the Corporation has sought and received approvals to increase its borrowing limit. The annual authorization stood at $43.0 million as at April 30, 2010 (2009 - $39.5 million) and is approaching the Corporation's legislative borrowing limit of $50 million.

Under its enabling Act, the Corporation is authorized to borrow money from any bank on the credit of the Corporation and the repayment of those loans may be guaranteed by the Minister of Finance. In addition, as an agent Crown corporation, the Crown is ultimately responsible for the actions and debts of the Corporation. Nevertheless, the above factors raise doubt about the Corporation's ability to meet its ongoing requirements to operate on a self-sustaining basis without appropriations from Parliament, as required by its enabling legislation.

The realization of assets is dependent upon the continued operations of the Corporation, which in turn is dependent upon management's plans to meet its financing requirements and the success of its future operations. The Corporation is actively pursuing various options to enable it to achieve its business plans. The ability of the Corporation to operate on a self-sustaining basis is dependent on improving the Corporation's profitability and cash flow and securing additional financing, including for planned capital expenditures (see note 10). The Corporation believes in the viability of its strategy to increase revenues and profitability and in its ability to raise additional funds, and believes that the actions presently being taken by the Corporation provide the opportunity for it to operate on a self-sustaining basis and as a going concern.

These financial statements do not include any adjustments to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that might be necessary if the Corporation was not successful in achieving the above.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Intangible Assets
On May 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, *Goodwill and Intangible Assets*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, but does not affect the accounting for goodwill. Section 3064 replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, since assets developed as a result of research and development activities are included in the scope of Section 3064. There was no impact to the Corporation upon adoption of this standard.

Financial instruments - Disclosures
In June 2009, the CICA issued amendments to Section 3862, *Financial Instruments – Disclosures* to expand disclosure of financial instruments that are recognized in the balance sheet at fair value and improve disclosures related to liquidity risk. These amendments introduce a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of financial instruments. The fair values for the three levels are based on:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – models using observable inputs for the asset or liability other than quoted market prices; and
- Level 3 – models using inputs for the asset or liability that are not based on observable market data.

The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. To provide relief for financial statements preparers, the CICA decided that comparative information for the new disclosures was not required in the first year of application.

The required disclosures are presented in Note 6. As the amendments only concern disclosure requirements, they do not have an impact on the results or financial position of the Corporation.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents
Cash and cash equivalents include cash and term deposits, if any, maturing in less than three months from acquisition date.

Inventories
Processed fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and

overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to processed fish product inventory. At year-end, processed fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and net realizable value. Inventory write-downs and reversals of write-downs are included in cost of sales in the Statement of operations, comprehensive income and retained earnings.

Financial instruments

All financial instruments are classified into one of the following categories: financial assets as held for trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held for trading or as other financial liabilities.

Upon initial recognition, financial assets and financial liabilities are measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Held for trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables and other liabilities are measured at amortized cost.

The Corporation has designated its cash and cash equivalents (if any) and its bank indebtedness as held for trading since they can be reliably measured at fair value due to their short-term to maturity. Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, the provision for final payments to fishers and loans payable are classified as other financial liabilities. Derivative financial instruments must be classified as held for trading. The Corporation has no held-to-maturity or available-for-sale financial assets.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For a financial asset or financial liability classified as held for trading, including derivative financial instruments, all transaction costs are recognized immediately in net income.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	Lake stations	Straight-line	5-10%
	Plant	Straight-line	2.5%
Equipment	Machinery and office equipment	Declining balance	10-40%
	Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	4.0-6.67%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from cost of sales. The final payments are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded in net income and included in retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in net foreign exchange (gain) loss in the Statement of operations, comprehensive income and retained earnings.

Pension and other benefits

All eligible employees participate in the Public Service Pension Plan, which is a multi-employer benefit plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

The cost of contributions arising from plan initiations or amendments is recognized in a rational and systematic manner over the period during which the entity expects to realize the economic benefits, being the average remaining service period of active employees expected to receive benefits.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liabilities for workers' compensation benefits are recorded based on known awarded disability and survivor pensions in respect of accidents that have occurred.

Revenue recognition

Sales are recorded on an accrual basis and are recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as derivative-related assets. Derivatives with a negative fair value are reported as derivative-related liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of net foreign exchange (gain) loss.

Investment tax credits

Investment tax credits relating to manufacturing property are recorded as a reduction of the applicable capital assets. Investment tax credits are recorded in the period that the credits are approved by the Canada Revenue Agency provided there is reasonable assurance that the credits will be realized.

Use of estimates
Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgments that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce slow moving or unsellable processed fish inventories to their estimated net realizable value, derivative financial instruments measured at fair value, the estimated useful lives of plant and equipment and the obligation for pension benefits. Actual results may differ significantly from those estimated. If actual results differ from these estimates, the impact would be recorded in future periods.

5. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards (IFRS)
In December 2009, the Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards of the PSA Handbook. This amendment eliminated the Government Business Type Organizations (GBTO) classification and entities previously classified as a GBTO were required to re-assess their classification.

Under the revised introduction, the Corporation remains classified as a Government Business Enterprise (GBE). As a GBE, the Corporation is required to follow International Financial Reporting Standards (IFRS). The Corporation will adopt IFRS for its fiscal year beginning May 1, 2011. Its first annual IFRS financial statements will be for the year ending April 30, 2012, with comparative information for the year ending April 30, 2011 restated under IFRS.

6. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments:

i) credit risk
ii) liquidity risk
iii) market risk (which includes currency risk, interest rate risk and other price risk)

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and procedures for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

Credit risk
Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's accounts receivable and derivative financial instruments.

Accounts receivable
The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and country in which customers operate.

The Corporation manages this risk by monitoring the creditworthiness of customers. The Corporation has established processes when dealing with foreign customers in order to manage the risk relating to foreign customers.

As at April 30, the maximum exposure to credit risk for accounts receivable by geographic region was as follows:

(in thousands)	2010		2009	
	Original Currency	$CAD	Original Currency	$CAD
Canada	$ 842	$ 842	$ 1,398	$ 1,398
United States	5,254	5,338	3,928	4,687
Europe	1,887	1,887	436	436
Other	24	24	55	66
		$ 8,091		$ 6,587

At April 30, 2010, four customers represented 39% of the total receivable balance. At April 30, 2009, three customers represented 41% of the total receivable balances. Customers primarily represent distributors.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated uncollectability of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, the current business and geopolitical climate, customer and industry concentrations and historical experience.

The aging of trade accounts receivable at April 30 was as follows:

(in thousands)	2010	2009
	Accounts receivable	Accounts receivable
Current 0-30 days	$ 5,249	$ 4,692
Past due 31-60 days	2,378	1,349
Past due over 61 days	171	148
Non-trade accounts receivable	366	471
Total	8,164	6,660
Less: allowance for doubtful accounts	(73)	(73)
Net	$ 8,091	$ 6,587

The change in the allowance for doubtful accounts during the year ended April 30, 2010 was nil (2009 – an increase of $16 thousand).

Derivative financial instruments

The Corporation manages its exposure to credit risk on its derivative financial instruments by contracting only with creditworthy counterparties, such as major Canadian financial institutions. The Corporation does not believe it is exposed to significant credit risk from its derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by continuously monitoring actual and forecasted cash flows to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation has identified in Note 2 matters related to liquidity risk and going concern.

The tables below present the contractual maturities of financial liabilities as at April 30:

(in thousands)

	2010				
	Total	Less than 1 year	1 – 2 years	3 – 4 years	5 years and more
Bank indebtedness	$ 199	$ 199	$ -	$ -	$ -
Accounts payable and accrued liabilities	4,076	4,076	-	-	-
Derivative-related liabilities	516	516	-	-	-
Provision for final payments to fishers	1,333	1,333	-	-	-
Loans payable	29,363	29,363	-	-	-
Total	$ 35,487	$ 35,487	$ -	$ -	$ -

(in thousands)

	2009				
	Total	Less than 1 year	1 – 2 years	3 – 4 years	5 years and more
Accounts payable and accrued liabilities	$ 3,997	$ 3,997	$ -	$ -	$ -
Derivative-related liabilities	1,188	1,188	-	-	-
Loans payable	30,772	30,772	-	-	-
Total	$ 35,957	$ 35,957	$ -	$ -	$ -

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's future cash flows or the fair values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Corporation is exposed to currency risk on a significant portion of its sales transactions which are denominated in U.S. dollars. The Corporation hedges a minimum of 67 percent of all trade receivables denominated in U.S. dollars and a portion of its forecasted sales, based on its hedging policy. In addition, a portion of loans payable are U.S. dollar denominated (Note 9). The Corporation manages its exposure to exchange rate fluctuations between the U.S. dollar and the Canadian dollar by entering into the following types of financial instruments, most with a maturity of less than one year from the reporting date and only within limits approved by the Board of Directors:

Foreign exchange call options – right to purchase currencies at a specified price within a specific time period.

Foreign exchange put barrier options – options that automatically convert into foreign exchange call options upon reaching a specified barrier level during a specified time period.

Conditional variable rate forwards – right to exchange currencies at a pre-agreed strike rate. In the event that the spot rate trades at or above a predetermined conditional trigger rate and at or below a predetermined cancellation trigger rate, the right to exchange currencies becomes an obligation to exchange currencies at the same strike rate.

Monthly settling accumulating forwards – forward contracts that provide the Corporation with the ability to exchange currencies on a monthly position at an improved rate to an outright forward contract. The accumulation of the position is dependent upon the spot rate staying above an accumulating level on each monthly setting.

The Corporation also uses such contracts in the process of managing its overall cash requirements. Included on the balance sheet are derivative-related assets of $7 thousand (2009 - $1,062 thousand) and derivative-related liabilities of $516 thousand (2009 – $1,188 thousand) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2010	2009
Foreign exchange call options	-	1,062
Foreign exchange put barrier options	-	(1,188)
Conditional variable rate forwards	(296)	-
Monthly settling accumulating forwards	(213)	-
	($ 509)	($ 126)

Notional principal amounts outstanding as at April 30 are listed below for derivative financial instruments entered into by the Corporation:

(in U.S. $ thousands)	2010	2009
Foreign exchange call options	-	25,900
Foreign exchange put barrier options	-	25,900
Conditional variable rate forwards	58,100	-
Monthly settling accumulating forwards	36,652	-

The net foreign exchange gain of $1,718 thousand (2009 – loss of $2,911 thousand) includes a loss of $383 thousand representing the change in fair value of derivative financial instruments classified as held for trading (2009 – loss of $340 thousand).

As at April 30, the Corporation is also exposed to currency risk through its cash, accounts receivable, accounts payable and accrued liabilities and loans payable as follows:

(in U.S. $ thousands)	2010	2009
Cash	$ 25	$ 45
Accounts receivable	5,224	3,984
Accounts payable and accrued liabilities	(77)	(155)
Loans payable	(4,000)	(4,000)
	$ 1,172	($ 126)

Based on the net exposure as at April 30, 2010, including the derivative financial instruments described above, excluding the impact on U.S. dollar denominated sales and assuming that all other variables remain constant, a 10 percent appreciation in the Canadian dollar against the U.S. dollar would result in an increase in net income and comprehensive income of $1,561 thousand (2009 – decrease in net loss and comprehensive loss of $2,746 thousand).

A 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in a decrease in net income and comprehensive income of $1,644 thousand (increase in net loss and comprehensive loss of $3,533 thousand).

Interest rate risk
At the reporting date, the Corporation's loans payable of $29,363 thousand (2009 - $30,772 thousand) are variable rate instruments.

An increase of 100 basis points in interest rates at the reporting date would have decreased net income and comprehensive income by $342 thousand, assuming that all other variables, in particular foreign exchange rates, remained constant (2009 – increased net loss and comprehensive loss by $276 thousand).

Other price risk
The Corporation believes it is not exposed to any other significant price risk in relation to its financial instruments.

Fair value
The fair values of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable approximate their respective carrying values due to the relatively short period to maturity of these financial instruments. Derivative financial instruments are measured at their fair value on the balance sheet. The estimate of the fair value of the derivative financial instruments is calculated using valuation techniques commonly used for these instruments.

The fair value measurements as recorded in the balance sheet are classified as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Derivative-related assets	$ -	$ 7	$ -	$ 7
Liabilities				
Bank indebtedness	199	-	-	199
Derivative-related liabilities	-	516	-	516

7. INVENTORIES

As at April 30, inventory included:

(in thousands)	2010	2009
Raw materials and supplies	$ 886	$ 828
Processed fish products	16,841	16,716
Provision for processed fish products	(1,826)	(734)
	$ 15,901	$ 16,810

The amount of writedowns of inventories recognized as expense in the year ended April 30, 2010 is $1,784 thousand (2009 – $734 thousand). There were no reversals of previously recorded writedowns in fiscal 2010 or 2009.

8. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	2010 Cost	2010 Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	$ 336	$ -	$ 336	$ 336
Buildings	12,837	8,004	4,833	4,658
Equipment	22,240	16,349	5,891	3,934
Fresh fish delivery tubs/totes	1,442	845	597	685
Vessels	3,113	549	2,564	2,288
Construction in progress	77	-	77	2,001
	$ 40,045	$ 25,747	$ 14,298	$ 13,902

Amortization expense is recorded on the Statement of operations, comprehensive income and retained earnings in cost of sales (2010 - $2,087 thousand; 2009 - $1,795 thousand) and in marketing and administrative expenses (2010 - $156 thousand; 2009 - $154 thousand).

9. LOANS PAYABLE

(in thousands)	2010	2009
Promissory note	$ 4,063	$ 4,772
Bankers' acceptances	25,300	26,000
	$ 29,363	$ 30,772

During the year, the Corporation renewed its revolving demand credit facility providing access to funds up to the amount of $43.0 million Canadian or its U.S. dollar equivalent. The funds are advanced through loans, overdrafts, promissory notes and bankers' acceptances.

The bankers' acceptances bear interest at an annual rate of 0.35% (2009 – 0.45%) and mature on May 6, 2010. The weighted average interest rate during the year was 0.37% (2009 – 2.13%). Subsequent to May 6, 2010, new bankers' acceptances were entered into at a rate of 0.35%.

The $4,000 thousand U.S. dollar denominated promissory note ($4,063 thousand Canadian dollars) is repayable in U.S. dollars, bears interest at an annual rate of 1.22% (2009 – 1.35%) and matures on July 26, 2010. The weighted average interest rate during the year was 1.19% (2009 – 2.96%).

The bankers' acceptances and promissory note are secured by the authorization of the Minister of Finance of the Corporation's bank borrowing limit (Note 1).

10. CAPITAL MANAGEMENT

The Corporation is subject to the *Freshwater Fish Marketing Act* and the *Financial Administration Act* (the Acts) and any directives issued pursuant to the Acts. These Acts affect how the Corporation manages its capital by, among other

things, setting broad objectives for the Corporation. Specifically, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis while generating a return to the government of Canada and to fishers.

The Corporation defines and computes its capital as follows:

(in thousands)	2010	2009
Retained earnings	$ 2,908	$ 2,760
Loans payable	29,363	30,772
	$ 32,271	$ 33,532

The Corporation's objectives in managing capital are to:

- Provide sufficient liquidity to support its financial obligations and its operating and strategic plans;
- Generate increasing returns to the fishers; and
- Maintain financial capacity and access to credit facilities to support future development of the business, including for capital expenditures.

In 2010, the Corporation primarily relied on cash flow provided by operating activities to support its objectives. In 2009, the Corporation relied primarily on cash flow provided by operating activities supplemented with financing activities to support its financial obligations and to fund its capital and strategic requirements.

The Corporation's ability to obtain additional capital is subject to market conditions and pursuant to the provisions of the Acts. The limitations on the borrowings of the Corporation and its access to credit facilities are outlined in Note 1. Pursuant to Part X of the *Financial Administration Act*, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable (Note 2).

These objectives and strategies are reviewed in the annual Corporate Plan submission, approved by the Board of Directors. The Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2009.

The Corporation is not subject to any externally imposed capital requirements.

11. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. Pension benefits accrue on pensionable service at a rate of 2 per cent per year up to a maximum period of 35 years, multiplied by the average of the best five consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2010	2009
Corporation's contributions	$ 1,053	$ 969
Employees' contributions	$ 536	$ 480

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a going forward basis and retroactively to April 1, 1973. During fiscal 2010, the Corporation agreed to terms with the Public Service Pension Centre (PSPC) that established the manner in which the Corporation will document cases for employees who should become members under the Public Service Superannuation Act (PSSA) retroactively and on a going forward basis. It also established how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. PSPC establishes the employee's eligibility to contribute, the periods of service countable for pension purposes and the periods of service that an employee can buy back. As employee contributions are made to the pension plan, the Corporation is required to fund the employer's portion of these contributions, including amounts owing for past service.

The Corporation estimates that it has a discounted obligation of $318 thousand for future matching contributions required for current employees, which will be expensed in the future as the employees make their contributions. In addition, the Corporation estimates it will be required to contribute $282 thousand in the future related to benefits owing to retirees for past service. Accordingly, an expense and accrued liability of $282 thousand, representing the estimated obligation for retirees, has been recorded in fiscal 2010.

12. SALES COMMISSIONS

During the year, the Corporation paid commissions of $1,191 thousand (2009 - $1,138 thousand) to sales agents, all of which was paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the Statement of operations, comprehensive income and retained earnings.

13. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2009 - nil). At April 30, 2010 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to $2,619 thousand (2009 actual - $1,970 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is not considered more likely than not that any future income tax benefits will be realized.

14. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

15. COMPARATIVE FIGURES

The previous year's comparative figures have been reclassified to conform to the current year's presentation.

CORPORATE GOVERNANCE

A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments.

In keeping with the *Financial Administration Act (FAA)*, the Corporation established an Audit Committee that met for the first time in September 2009, comprised of Chairperson Harold B. Dueck, a Chartered Accountant experienced in public and corporate finance, and Board members Irvin Constant and Ken Campbell. This Committee oversees the Corporation's financial reporting process on behalf of the Board and reports to each Board meeting.

In March 2010, the term of Chairperson Jim Bear ended and a national search for a new Chairperson began. During the past fiscal year, six of the Directors were fishers and five were aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region.

The Corporation's Board members met six times in Winnipeg during the fiscal year. Once per quarter, the Board undertook a comprehensive review of financial results and operational issues. During the July 2009 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2008/09 Annual Report. In February 2010, the Board met to approve its five-year annual Corporate Plan and operating budget for submission to Treasury Board.

The Board considered six applications under the Export Dealers Licence policy and approved four. There were also two renewals for 2009/10.

Major conferences or annual meetings attended included Fisheries Council of Canada AGM, Seafood Value Round Table, Brussels Seafood Show, Boston Seafood Show, Crown Corporation Governance course, Manitoba Food Processors Association, Manitoba Commercial Inland Fisheries Federation, Manitoba Water Stewardship, Saskatchewan Cooperative Fisheries Ltd., and several other fisher association meetings.

EMPLOYEE RECOGNITION

Freshwater Fish Marketing Corporation extends its thanks to the following employees who have dedicated their careers to ensuring a dependable supply of high-quality freshwater fish products, excellent customer value and increasing returns to fishers.

35 Years - Ralph Kamieniarz

30 Years - Luann Johnston, Vince Freeman, Raymond Audette, Sheila Lajoie-Wilde, Joyce Murray, William Gates, Rita Askinis

BOARD OF DIRECTORS

Jim Bear
Chairperson of the Board
Scanterbury, Manitoba
Occupation: Political Advisor, Southeast Tribal Council
Served on Board: 9 years

John Wood
President and Chief Executive Officer
Winnipeg, Manitoba
Served on Board: 3.5 years

Ron Ballantyne
Grand Rapids, Manitoba
Occupation: Fisher
Served on Board: 6.5 years

Bert Buckley
Hay River, Northwest Territories
Occupation: Fisher
Served on Board: 11 years

Ken Campbell
Gimli, Manitoba
Occupation: Fisher
Served on Board: 1 year

Irvin Constant
The Pas, Manitoba
Occupation: Fisher
Served on Board: 14 years

Angus Gardiner
Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on Board: 1.5 years

Gordon McDougall
Ashern, Manitoba
Occupation: Fisher
Served on Board: 14 years

Bob Paterson
Sioux Lookout, Ontario
Occupation: Area Supervisor, Ontario Ministry of Natural Resources
Served on Board: 6 years

Gail Wood
Edmonton, Alberta
Occupation: Owner, Wayne Wood Fresh Fish Ltd.
Served on Board: 3 years

One Seat Vacant

AUDIT COMMITTEE

Freshwater Fish established an Audit Committee in 2009/10. The inaugural committee is comprised of Harold B. Dueck (Chairperson) and Board members Irvin Constant and Ken Campbell.

CORPORATE OFFICERS

John Wood, President and Chief Executive Officer
Email: john.wood@freshwaterfish.com

Paul Cater, Vice-President, Sales and Marketing
Email: paul.cater@freshwaterfish.com

Stan Lazar, Chief Financial Officer
Email: stan.lazar@freshwaterfish.com

David Northcott, Vice-President, Operations
Email: david.northcott@freshwaterfish.com

FRESHWATER FISH

1199 Plessis Road
Winnipeg, Manitoba, Canada R2C 3L4

p. 204.983.6600
f. 204.983.6497

www.freshwaterfish.com

From Lake to Plate